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RUEHJI/AMCONSUL JEDDAH PRIORITY 1618
RUEHJM/AMCONSUL JERUSALEM PRIORITY 2461
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STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR XOXO
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
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PARIS ALSO FOR POL
ROME FOR MFO

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SUBJECT: SPECIAL ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Defense Secretary Gates, Special Envoy Mitchell to Israel

Key stories in the media:

Major media reported that U.S. Envoy for Middle East Peace George Mitchell arrived in Israel yesterday and meet with Defense Minister Ehud Barak as part of an ongoing effort to reach an agreement on construction in the settlements. According to HaQaretz, the two are reportedly close to a deal in which Washington would allow a limited

number of projects in advanced stages of construction to be completed, but Israel would freeze all other building for an as yet undetermined period of time. At a brief press conference after their meeting, Mitchell insisted that the dispute over settlement construction was a Qdiscussion among friends,Q not a quarrel. Barak vowed that Israel would do everything in its power to advance a regional peace agreement, but without sacrificing its Qvital interests.Q The Jerusalem Post reported that yesterday the U.S. and Israel Qwent out of their way to downplay friction.Q The Post quoted PM Benjamin Netanyahu as saying at the weekly cabinet meeting, a few hours before Mitchells arrival, that Qeven within the fabric of friendly relations between allies there are points over which there is not full agreement.Q HaQaretz reported that sources well-versed in the talks told the daily that no agreement will be signed during this visit, but that the gaps have narrowed significantly. They said that Israel, which initially opposed Washingtons demands, has softened its stance considerably, while the Americans are also making efforts to bridge the gaps. HaQaretz cited Israels claim that construction in the ultra-Orthodox settlements of Kiryat Sefer and Beitar Illit is too advanced to be stopped, and that the U.S. seems to be moving toward allowing these 700 buildings to be completed. HaQaretz also reported that Israel deems some nonresidential projects vital. The Americans want to reach detailed agreements on everyone of these elements. HaQaretz said that, unlike in the past, Israels defense establishment has given the U.S. complete information on all West Bank construction projects, on orders from Barak.

The Jerusalem Post said that QMitchells emphasis on a comprehensive peace, one that would include Syria and Lebanon, ran contrary to some expectations that the thrust of his efforts during this visit would be to reach an agreement on settlement construction to get the Israeli-Palestinian negotiations on the ground.Q HaQaretz reported that, for the first time during the Obama administration, the Palestinians are expected to toe the line of the U.S.-Israeli understandings and that PA President Mahmoud Abbas is Qlikely to shake PM NetanyahuQs hand.Q The media had reported that on Friday Secretary of State Hillary Clinton announced, in a video hookup with Palestinian PM Salam Fayyad, that the U.S. had transferred \$200 million to the PA government.

Today, Secretary of Defense Robert Gates will arrive in Israel, and National Security Advisor James Jones will follow tomorrow. Both are expected to address a broader range of issues Mitchell has, including efforts to halt IranQs nuclear program and bilateral security cooperation. Yesterday, Yediot Aharonot wrote that the U.S. envoysQ task is Qto make sure that Israel does not intend to attack the nuclear installations in Iran, and apply pressure to it to stop the construction in the settlements and in East Jerusalem.

HaQaretz cited an IDF Civil Administration report covering the first half of 2009: There are now more than 300,000 residents living in West Bank settlements. As of June 30, the settlements had 304,569 residents, an increase of 2.3 percent since January.

Leading media reported that yesterday, in an interview with NBCQs QMeet the Press,Q Secretary Clinton implicitly urged Israel to give U.S. policy on Iran's nuclear program a chance to work.

HaQaretz cited deep concern among senior IDF staff and defense establishment about the possibility of a serious incident along the Lebanese border in the near future.

HaQaretz reported that the Israel Navy successfully test-fired an improved model of the Barak anti-missile system, launching a surface-to-air missile from a SaQar 5-type ship against a target.

Maariv reported that yesterday Jews and Arabs clashed in the neighborhood of Sheikh Jarrah, where Jerusalem and Washington are sparring over construction of 20 housing units.

Yesterday The Jerusalem Post reported that the source of at least some of the millions of dollars involved in alleged money-laundering by five of the rabbis arrested last week in the U.S. came from Israeli sources. Yediot Aharonot reported that an American rabbi, Levi Yitzhak Rosenbaum, is suspected of having bought kidneys from needy Israeli citizens for tens of thousands of dollars and selling each kidney to patients awaiting transplants for \$160,000. FBI

documents say that Rosenbaum was assisted by physicians at hospitals in Israel. Yesterday Yediot Aharonot reported that FBI officials confirmed to the newspaper that agency detectives are on their way to Israel. Today the newspaper quoted Yitzhak Kakun, editor-in-chief of the Shas weekly Yom LeQYom, as saying that anti-Semitism was behind the arrests. The mainstream media reported that Shas stands to lose many contributions from U.S. supporters belonging to the communities involved in the affair.

The media reported that the Tel Aviv Stock Exchange has recovered and is back at pre-Lehman collapse levels.

Defense Secretary Gates, Special Envoy Mitchell to Israel:

Block Quotes:

II. QAn American Week

The independent, left-leaning Ha'aretz editorialized (7/26): QPrime Minister Benjamin NetanyahuQs most abject failure since returning to the premiership has been his shaky relationship with the U.S. administration, headed by President Barack Obama.... Three senior Obama administration officials will visit Israel this week.... The visits provide a good opportunity for a turning point in relations between Israel and the Obama administration. Netanyahu must evacuate the outposts and agree to a settlement freeze in order to give a deal based on Qtwo states for two peoplesQ -- a principle in fact supported by the Prime Minister -- a chance. The understanding taking shape between Israel and the United States over Iran -- an understanding manifest in the softened rhetoric employed by the Prime Minister -- ought to be strengthened and codified. Yet, more than anything else, Netanyahu needs to welcome his guests as allies rather than representatives of a hostile administration angling to harm and humiliate Israel. A change in his approach, as well as avoiding additional provocations and crises, will be the first critical steps in building a new relationship with the United States.

II. QAll-Clear Signal from the U.S.

Diplomatic correspondent Shimon Shiffer wrote in the mass-circulation, pluralist Yediot Aharonot (7/27): QAfter both sides issued pugnacious statements -- Netanyahu on the continuation of construction in East Jerusalem and the Americans on the possibility that they might cut their economic aid to Israel -- there are growing indications that the parties have decided to pour cool water on the flames and continue their attempts to resume the negotiations between Israel and the Palestinians, and between Israel and the Arab states. The likely reason for this shift is that -- at least for the moment -- that Americans cannot point out a change in the well-known Arab attitude vis-`-vis Israel. In other words: ObamaQs emissaries hear one single message in the Arab capitals: QAfter you wring from the Israelis concessions regarding all the territories, normalization with the Jewish state can be discussed -- not a minute earlier.

III. QAn Enemy, at Last

Senior Middle East affairs analyst Zvi Bar'el wrote in Ha'aretz (7/26): QIn light of the public brawling between Prime Minister Benjamin Netanyahu and U.S. President Barack Obama, we can expect to start seeing graffiti saying things like QAmerica, get out,Q QObama is an Arab,Q and QNeither a broker nor honest.Q In the new Israeli debate, America is slowly beginning to be perceived as an enemy -- and the dispute is going personal.... The remedy lies in reviewing the facts. Obama did not invent a new American policy. Nor can Israel rely on its demand that the Arab states normalize relations with Jerusalem: The obligation of normalization is conditioned on IsraelQs withdrawal from all occupied territory. There is one thing, however, that the United States has changed: its diplomatic behavior, and its tone. But it is truly difficult to complain about someone no longer willing to stand for the verbal contortions and the lies that Israel has been feeding Washington.

IV. QGive Us Substance, Forget the Polls

Liberal columnist Dr. Gadi Taub wrote in Yediot Aharonot (7/26): QLeaders in foggy times as these don't need spin doctors. Rather, they need a clear and courageous vision. We need now to look ahead at the changing world and to tell the truth: construction in the settlements is dangerous foolishness. The settlement outposts need to be uprooted with determination, either with or without sensitivity, either with or without a Qprice tag.Q Then, one way or another, we are going to have to evacuate a majority of the settlements, either with an agreement or without one. We need to say clearly that Obama is offering a real alternative and that we need to cooperate with him -- and not drag our feet and jeopardize our chance of separating from the Palestinians and our friendship with the United States, without which our soldiers have no weapons and we have no political support for our right to exist here as the Jewish nation-state. There are positive examples of courageous leadership: Churchill, Ben-Gurion, Truman, and Rabin too. But, really all one needs to do is to look at the pathetic Netanyahu and Barak to recall what happens when one's leaders lack vision and lack courage.

IV. QNetanyahu Is Eating What his Predecessors Cooked

Conservative columnist Nadav Haetzni wrote in the popular, pluralist Maariv (7/27): Q[Former foreign minister] Tzipi Livni certainly wants to forget that she recommended the adoption of the Roadmap -- provided it was lightly amended.... Good sense and basic decency obligate Livni and [former prime minister Ehud] Olmert to back Netanyahu and oppose the Obama administration. The former ministers put Israel in this swamp. They should be the first ones to rise against the Americans and blame them for breaching their commitments. But there is no room in Israeli politics for decency and good sense.

CUNNINGHAM